



TEXAS Legends

Hot Oil

While Texans often think of oil producers as solid citizens who may enjoy a cozy relationship with elected officials, this hasn't always been the case. In fact, the state's relationship with oil producers has been rocky. Writing about the Texas oil industry in the 1930s, Wayne Gard declared, "Oil is the toughest baby the New Deal has tried to civilize. It is still one of the most obstreperous American industries, though it has become the third largest. It is shot through with lawlessness and with flagrant disregard for the public interest."ⁱ

The trouble erupted in the 1930s when a glut of oil came onto the market. During this decade, when the East Texas oil fields began producing, the surplus of oil drove down prices to a few pennies per barrel. The East Texas oil fields, which were not discovered until October 1930, were populated with 15,271 wells by 1935.ⁱⁱ To stabilize the situation, the governor asked the Railroad Commission of Texas to put together a proration plan that would force

producers to cut back how much oil came from their wells. In August 1931, when producers ignored an order from the Railroad Commission to stop production, Governor Ross Sterling, himself a former chair of Humble Oil, announced East Texas oil producers were in "rebellion," declared martial law, and sent in the National Guard to shut down oil fields in Rusk and Gregg Counties.ⁱⁱⁱ

Despite the governor's decree, many small drillers continued to operate in defiance of limits imposed by law and smuggled "hot oil" in what became known as the "hot oil wars," which continued for almost four years. Oil men created phony wells next to real wells to win the right to produce more oil. Gasoline was smuggled out of eastern Texas in oil trucks disguised as moving vans or through hidden pipelines. Some producers hired their own "rangers" to approach federal officials with both guns and cash.^{iv} Illegal "moonshine" refineries sprouted to serve the hot oil market.

The federal government was eventually drawn into the battle after members of the Railroad Commission of Texas appealed to the newly elected U.S. president. Franklin Roosevelt signed an executive order in July 1933 that sent hundreds of federal agents into the field to enforce it.

Some of the lawlessness was driven by simple greed, but some oil men were pushed to the limits because they had purchased oil rights and equipment on credit. Unlike independent oil men, the large oil companies could afford to leave the oil in the ground and resume drilling when the price rebounded.

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- i. Wayne Gard, "Hot Oil from Texas," *The American Mercury*, May 1935, 71.
 - ii. *Ibid.*, 73.
 - iii. Bryan Burrough, *The Big Rich: The Rise and Fall of the Greatest Texas Oil Fortunes* (New York: Penguin Press, 2009), 77.
 - iv. Gard, "Hot Oil from Texas."